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NORSTAR

DEVELOPMENT USA. L.P.

733 Broadway
Albany, New York 12207
Tel: (518) 431-1051 Fax: (518) 431-1053
<http://www.norstarcompanies.com/>

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MSHDA-Legal

September 14, 2007

Ms. Mary P. Levine, Acting Director of Legal Affairs
Michigan State Housing Development Authority
P.O. Box 30044
Lansing, Michigan 48909

Dear Ms. Levine:

Thank you for the opportunity to provide comments on the draft State of Michigan Qualified Allocation Plan (QAP). While we are new to development in the State of Michigan, we have developed more than 1,700 affordable tax credit units in New York, Texas, and Florida. In working with QAPs from various states, we appreciate the time and effort it takes to produce an update that meets the overwhelming needs of any state. As the selected Developer of the rental component of the Gardenview HOPE VI Redevelopment project, in cooperation with the Detroit Housing Commission, we look forward to working with MSHDA to develop quality rental units for residents of the City of Detroit.

Generally, we find the proposed QAP to be consistent with our experiences in other states. We applaud the elimination of the lottery, maintenance of two funding rounds per year, and increase in the holdback for the City of Detroit.

Our primary concern is that there is not adequate time to finalize the QAP and the application package in a manner to give applicants sufficient time to submit quality applications in December. With the serious need for affordable housing and the economic multiplier created by tax credit construction projects, we would not suggest forgoing the second round planned in 2007. Instead, we urge you to consider allocating the credits to be used in the upcoming round to qualified applications that were denied funding in the last round due to the lottery. This option would continue the production of much needed units and construction activity while at the same time allowing ample time to resolve all QAP and application package issues.

Below please find some specific recommendations and requests for clarification of a few items.

VII. Statutory Set-Asides and QAP Holdbacks

B. QAP Holdbacks, Section 1, paragraph a. (page 12):

In addition to the four (4) targeted areas in the Next Detroit Neighborhood Initiation, we would recommend language that would include any other area of the City which has a City approved redevelopment plan and federal monies committed to implementation of such plan. Such change would allow federal funds such as HOPE VI grants to be leveraged with tax credit funding to create more units for some of the neediest of Detroit residents. Without priority for these projects, including Gardenview Estates, it is likely that federal funding time limits will not be met with the concomitant loss of federal funding. Gardenview Estates represents a federal commitment of over \$30 million. The loss of this type of federal funding is a loss not only to the low income Michigan residents that could be served, but also to the State of Michigan when such funds are recaptured and provided to other states.

B. QAP Holdbacks, Section 1, paragraph c. (page 12):

We are seeking definition of "qualified housing commissions", and want to insure that a project that is being developed by a private developer on behalf of a housing commission would have eligibility in this holdback sub-category.

VIII. Eligibility Requirements

Tie Breaker System (Page 14):

The third priority of the tie breaking system proposes to give preference to the project that has the lowest construction costs. We have concern that such preference will penalize projects that are located in higher cost areas of the State. Projects with other agency mandates, such as federal design requirements, could also be disadvantaged. Finally, an emphasis on lower construction costs could affect the quality and amenities of proposed developments.

A. Threshold Requirements, Section 18. (page 18):

The requirement of the submission of three (3) equity investment proposals is cumbersome and does not increase the accuracy of the MSHDA gap analysis. It is in the best interest of all project sponsors to maximize the syndication proceeds raised from the LIHTCs, and therefore developers are already working to maximize syndication proceeds. This requirement simply creates more work to assemble the application, and does not increase the likelihood of a higher equity raise. If MSHDA wants to see competition, this requirement could be imposed later during the underwriting gap analysis.

A. Threshold Requirements, Section 19. (page 18):

We are interested in seeing the "green community/new urbanism criteria checklist", especially those items which are mandatory, to evaluate the impact on the project costs as well as how such items relate to urban redevelopment sites within the City of Detroit. housing commissions would increase the success of such outcome.

XIX. Policy Bulletins and Scoring Summary

While we understand that the Selection Criteria and Preference Points are not set forth in the QAP, but instead are a part of the Combined Application/Addenda, it would be helpful to evaluate the proposed QAP with the proposed application materials. Evaluating all materials together would provide a clearer understanding of how these parameters will impact proposed projects.

Again, thank you for the opportunity to provide feedback in this important update process. We look forward to working with you on creating more affordable housing opportunities to Michigan residents. Please feel free to contact us with any questions.

Sincerely,



Richard L. Higgins, President
Norstar Development USA, L.P.

CC: Ms. Lindsay Reames, HUD Recovery Administrator
Mr. Robert Hunt, Detroit Housing Commission
Mr. Robert Rosenberg, Rosenberg Housing Group